pany, 320 U.S. 661, and *Mercoid Corp.* v. *Minneapolis-Honeywell Regulator Co.,* 320 U.S. 680, and with decisions in other circuits, and that authoritative determination of the questions raised is of importance in the administration of the antitrust laws and to the public generally. The Government further believes that if the decision below is allowed to stand, the opportunities for patentees to enlarge their monopolies to cover unpatented goods will be seriously enhanced.

STATEMENT

Petitioner operates a machine shop which does oil field repair work and, as a part of its general business, welds new metal on cutting teeth of bits of oil well drills when the teeth have become worn through use (R. 5, 102-103). This work, generally called retipping, is done only if the bearing in the bit is found to be sufficiently unworn from use so that the drill, after the teeth have been repaired, will still operate efficiently (R. 104-105, 108). It has been estimated that 12 to 15% of worn bits may usefully be retipped (R. 240). Petitioner has been retipping for drilling contractors and oil companies since 1940 (R. 103). He has retipped for about 55 customers and presently has about 6 customers (R. 103, 104). A majority of the bits which he retips were manufactured by the respondent (R. 107).

The cost of retipping worn teeth is about one-third the cost of a new bit (R. 114) and the great

majority of drilling contractors and oil companies have their bits retipped (R. 122). One company alone had 245 bits retipped in a single year (R. 114), and a drilling contractor estimated that his saving from retipping averaged over $7,000 a year (R. 118, 121). Petitioner believed that there were at least 50 retipping shops, each employing from two to five people, in the States of Illinois, Kansas, Oklahoma and Texas (R. 104).

Respondent leases its bits under terms which require a lump sum payment and return of the bits to respondent upon request when "the original cutter teeth and/or bearing have served their useful life" (Pltf. Ex. 18, R. 149; R. 137-138). Respondent does not retip the bits which are returned to it, and they are ultimately sold as scrap, although a few of the worn bits are first examined and tested in respondent's laboratory (R. 87-89, 133).

Respondent instituted the present proceeding by filing a complaint in two counts. The first alleged that respondent owns two patents on bits for drilling wells, that it leases but does not sell its bits, and that petitioner retipped worn teeth on these bits and thereby infringed respondent's patents (R. 1-2). The second count alleged that respondent leases its bits upon terms which require surrender of the bits to respondent when the original teeth or bearing "have served their useful life", and that petitioner converts respondent's

bits when he retips them with knowledge of this restriction (R. 3-4). Each count prayed for an award of damages and injunctive relief (R. 3, 4).

The district court, after a hearing, filed an opinion holding that petitioner's retipping infringed respondent's patents, but that the proof failed to establish conversion of respondent's bits by petitioner (R. 15, 18-22). The court accordingly entered a judgment which declared that petitioner should be enjoined "from reconstructing worn or used bits to embody the inventions of" the claims of the two patents on which suit was based (R. 27).

On appeal to the Court of Appeals for the Tenth Circuit, the case was ultimately considered and decided by the court sitting *en banc* (R. 230-231, 233-234). Prior to decision on appeal, one of the two patents involved had expired (R. 247). The court held that the other was a valid "combination" patent (R. 238), and that petitioner's retipping of the bits was a reconstruction, constituting infringement, rather than a repair (R. 240-244). The court also held that the lease arrangements of respondent with its licensees validly terminated when the useful life of the original teeth was at an end and that when this event occurred, "the right of the lessee to use the bit ceased and with it his right to repair the bit, and the repair of the bit thereafter constituted an infringement" (R. 245). And the court held that the leasing arrangements were not a misuse of patents or a violation of the Clayton Act (R. 244-247). The court remanded the

case to the district court with instructions to terminate the injunction insofar as it enjoined infringement of respondent's expired patent. It affirmed the judgment in all other respects (R. 247).

Two judges, dissenting, were of the opinion that retipping was permissible repair of respondent's bits and therefore not an infringement of its patent (R. 247-258).[1] One of the dissenting judges (Huxman, J.) was of the view that the lease agreement should not be construed as forbidding retipping (R. 249). The other (Murrah, J.) agreed with the majority as to the interpretation of the lease, but thought that the question whether, as so interpreted, it involved a violation of the Clayton Act, should now be considered by the trial court (R. 254-258).

DISCUSSION

The majority of the court below has apparently held petitioner's retipping activities to be unlawful on two theories—first, that apart from the lease restrictions, retipping is reconstruction rather than repair and therefore constitutes infringement, and second, that even if retipping is merely repair, it nevertheless constitutes contributory infringement[2] because performed after the

[1] One of the dissenting judges (Huxman, J.) also believed the combination patent invalid for want of invention (R. 247).

[2] The court does not use the term contributory infringement, but since it recognizes that repair which stops short of reconstruction is ordinarily permissible, and since the petitioner does not himself vend or use the bits, it seems clear that, at the most, contributory infringement is involved. In other

lessee's right under the lease to use the bit has terminated.

I

The mixed question of law and fact as to whether a particular repair on a particular patented combination is of such a major character as to constitute a reconstruction of the combination would not ordinarily, it may be assumed, be regarded as a question warranting review by this Court. But the standards laid down by the majority of the court below seriously conflict with a number of decisions in other courts of appeals, and greatly narrow the scope of permissible repair to patented combinations.

The court below recognized the authority of *Wilson* v. *Simpson,* 9 How. 109, and the line of cases following it [3] which hold that the owner of a patented machine may replace parts of that machine without infringing the patent. As stated in the *Wilson* case (9 How., at 123):

> repairing partial injuries, whether they occur from accident or wear or tear, is only refit-

---

words, petitioner may be aiding the lessees of respondent's bits to use the bits after the termination of their leases but is not making, using or vending the invention himself.

[3] See e.g., *Cotton-Tie Co.* v. *Simmons,* 106 U.S. 89; *Morgan Envelope Co.* v. *Albany Paper Co.,* 152 U.S. 425; *Heyer* v. *Duplicator Mfg. Co.,* 263 U.S. 100; *Shickle, Harrison & Howard Iron Co.* v. *St. Louis Car-Coupler Co.,* 77 Fed. 739 (C.A. 8); *Goodyear Shoe Machinery Co.* v. *Jackson,* 112 Fed. 146 (C.A. 1); *Slocomb* v. *Layman,* 227 Fed. 94 (D. Del.), affirmed, 230 Fed. 1021 (C.A. 3); *Fogelsong* v. *Randall,* 239 Fed. 893 (C.A. 6); *Cinema Patents* v. *Craft,* 64 F. 2d 42 (C.A. 3); *General Motors* v. *Preferred Electric & Wire Corp.,* 79 F. 2d 621 (C.A. 2).

> ting a machine for use. And it is no more than that, though it shall be a replacement of an essential part of a combination.

But the court below held that the only type of repairs to which this doctrine applies is that involving parts designed to be expendable and to be replaced in the course of the life of the machine (R. 241-242). Since the cutting teeth more often than not last as long as the bearings, and the patentee has indicated in his leasing provision that he expects the bit to be returned at the end of the life of either, the court concludes that the patentee did not regard the teeth as expendable. In other words, the court below has laid down a subjective standard which permits patentees to prevent any repair of a patented machine by expressing the intention that the life of the machine is to be measured by the life of the fastest wearing part. Thus the useful life of a patented invention is artificially limited. For the contrary, and we think better view, that a part which wears out before other parts is *ipso facto* expendable and may be replaced, see *Slocomb* v. *Layman,* 227 Fed. 94, 98 (D. Del.), affirmed, 230 Fed. 1021 (C.A. 3).

The court further held that the unpatented teeth are the novel element of the instant combination and that to replace the element is "not permissible repair, but reconstruction" (R. 243-244). Assuming, *arguendo,* that the teeth do constitute a novel element in respondent's patented combina-

tion (but cf. dissenting opinion of Murrah, J. (R. 253)), the holding nevertheless appears to be in square conflict with *Goodyear Shoe Machinery Co.* v. *Jackson,* 112 Fed. 146 (C.A. 1), and *General Motors* v. *Preferred Electric & Wire Corp.,* 79 F. 2d 621 (C.A. 2), which held that even an essential unpatented part of a patented combination may be replaced.[4] And the holding that the replacement of an unpatented part of a patented combination is infringement would seem also to conflict in principle with the decision of this Court in *Mercoid Corp.* v. *Minneapolis-Honeywell Regulator Co.,* 320 U.S. 680, 684, where the Court said:

> The fact that an unpatented part of a combination patent may distinguish the invention does not draw to it the privileges of a patent. That may be done only in the manner provided

---

[4] In the *Goodyear* case, defendants were charged with contributory infringement in repairing patented sewing machines. The court said (112 Fed. at 155):

"* * * It cannot be said, therefore, that the replacement by the purchaser of the cam or the pull off lever which moves the pull off truck constituted an infringement of the patent, although it may be this cam was the characteristic and most essential element in the combination. The breaking or wearing out of this cam resulted in only a partial destruction of the patented combination, and its replacement by a new cam was plainly a restoration, and not a substantial reconstruction of the combination."

The *General Motors* case involved alleged contributing infringement of patents on ignition apparatus used in automobiles. The defendant sold certain parts used in the patented combinations. The court said (79 F. 2d at 623):

"Whether the appellant's breaker arms and contact brackets constitute the 'gist of the invention' sued on, as suggested in the findings below, is immaterial. Indeed, the gist or essence of the combination of mechanical elements lies in the combination as a whole."

by law. However worthy it may be, however essential to the patent, an unpatented part of a combination patent is no more entitled to monopolistic protection than any other unpatented device.[5]

II

The court below has held that respondent has validly limited to the original life of the teeth the rights of his lessee to use the patented bits. The Government believes that in the circumstances of this case the lease restriction, as interpreted by respondent and the court below, is a misuse of patents and probably a violation of Section 3 the Clayton Act and Section 1 of the Sherman Act. Cf. *International Salt Co.* v. *United States,* 332 U.S. 392. The patentee in substance, though not in form, sells the patented combination subject to the restriction that the bit may not be retipped. The lease is in effect made on the condition that the lessee will not utilize the materials and services of retippers who are in substance competitors of respondent. The lease forecloses these competitors from the substantial market consisting of all uses which might be made of worn bits manufactured by respondent.

"The owner of a patent cannot extend his statutory grant by contract or agreement." *United*

---

[5] And see *Mercoid Corp.* v. *Mid-Continent Investment Co.,* 320 U.S. 661, 668, expressly repudiating the contrary rule of *Leeds & Catlin Co.* v. *Victor Talking Machine (No. 2),* 213 U.S. 325.

State v. *Masonite Corp.*, 316 U.S. 265, 277. The leasing arrangement here, like the *del credere* arrangement in the *Masonite* case, cannot be used to enlarge the patent monopoly. Even if it be assumed that the transactions here are intended in good faith to be leases,[6] "Rules for use of leased machinery must not be disguised restraints of free competition." *International Salt Co.* v. *United States,* 332 U.S. 392, 398. Respondent could not prevent repair of the patented bits if he sold them; he should not be allowed to circumvent that salutary rule by "leasing" them until such time as they need repair and then reclaiming and scrapping them.

In *International Business Machines Corp.* v. *United States,* 298 U.S. 131, this Court struck down under Section 3 of the Clayton Act a leasing arrangement whereby business machines were leased on the condition that the lease should terminate if cards not manufactured by the lessor were used in the leased machines (see 298 U.S. at 134). Respondent seeks to impose a similar restriction in a different way. Instead of providing that the lease shall terminate if the lessee has the teeth of the bits repaired, the lease, as construed, provides that it shall terminate when the teeth need repair. The effect is the same.

If respondent's leasing arrangements are sus-

---

[6] Cf. R. 137-138 indicating that on its own books respondent treats the transactions as if they were sales.

tained, an economically useful business—retipping—will be entirely eliminated in the line of commerce in respondent's patented bits, and respondent's licensees will be required to lease new bits from respondent when the old bits could be made serviceable at a lesser cost.

III

Even if it be assumed *arguendo* that respondent's lease, as construed by the court below, validly terminates its lessee's right to use the bit as soon as the original teeth become unusable, the question remains whether petitioner is a contributory infringer. In *Mercoid Corp.* v. *Mid-Continent Investment Co.,* 320 U.S. 661, this Court held that a combination patent confers upon its owner no right to monopolize supply of an unpatented element of the patented combination and that knowingly to supply such element is not infringement. That case involved a combination patent covering a heating apparatus composed of three main elements, a stoker to feed fuel to a furnace, a room thermostat controlling the feeder, and a combustion stoker switch—itself unpatented—to control the feed of fuel to prevent the fire from going out when the furnace temperature is comparatively low. The patent owner licensed use of the patented system only if there was used therein the stoker switches of a particular manufacturer. Sale of such switches for use in the patented sys-

tem was held not to infringe rights conferred by the combination patent.

The Court pointed out that the owner of a machine or process patent may not control unpatented materials consumed in or necessary to its operation since to do so would expand the monopoly of the patent beyond the scope of the grant (320 U.S. at 664-665). It held that the same principle applies where a patentee attempts to control an unpatented material or device which is an element of a patented combination even though such element is deemed the "heart of the invention" (*id.*, 665, 667). The Court said (*id.*, 667-668):

> The patent is for a combination only. Since none of the separate elements of the combination is claimed as the invention, none of them when dealt with separately is protected by the patent monopoly. *Leeds & Catlin Co.* v. *Victor Talking Machine Co. (No. 1)*, 213 U.S. 301, 318. Whether the parts are new or old, the combination is the invention and it is distinct from any of them. * * * If such an expansion of the patent monopoly [to include the stoker switch] could be effected by contract, the integrity of the patent system would be seriously compromised.

Under this decision and the companion case of *Mercoid Corp.* v. *Minneapolis-Honeywell Regulator Co.*, 320 U.S. 680, there is no room for the doctrine that one who supplies an unpatented part of a patented combination is guilty of contributory

infringement. In the instant case the court below specifically found that the unexpired patent on which suit is based is a "combination" patent composed of "old elements" (R. 238). This was likewise the view of the two Circuit Judges who dissented below (R. 247, 249, 252) and of the Court of Appeals for the Fifth Circuit.[7] The patent itself (No. 1,983,316) makes no claim to invention with respect to the form or shape of the teeth of the three-cone bit on which patent issued (R. 144). Indeed, the bit's teeth are in the public domain—a patent on their form and shape has long since expired (R. 195-196).

Since the teeth on respondent's bits are an unpatented element of a combination patent, under the *Mercoid* decisions supply of teeth for use as part of the patented combination would not constitute infringement. *A fortiori,* building up the teeth when they have become worn is not infringement. The *Mercoid* cases show that the principle that the use of unpatented materials cannot be tied to patented ones is the same whether the unpatented element is part of the patented combination or whether it is outside of that combination.[8]

The essence of the *Mercoid* decisions was that a patentee cannot, by force of contract, bring an un-

---

[7] *Robertson Rock Bit Co.* v. *Hughes Tool Co.*, 176 F. 2d 783, 790, certiorari denied, 338 U.S. 948.

[8] Accord: *Morgan Envelope Co.* v. *Albany Paper Co.*, 152 U.S. 425, 432-433; *Carbice Corp.* v. *American Patents Development Corp.*, 283 U.S. 27, 33; *International Business Machines Corp.* v. *United States*, 298 U.S. 131, 136-138.

patented element of a patented combination within the scope of his patent monopoly. It therefore follows that the present respondent did not and could not bring unpatented teeth within the scope of its patent monopoly by contract provisions requiring surrender of leased bits when the original teeth had served their useful life.

For the reasons stated, the decision below is in conflict with applicable decisions of this Court and those in other circuits, and questions of public importance are presented which should be settled by this Court. It is respectfully submitted that the petition for a writ of certiorari should be granted.

PHILIP B. PERLMAN,
Solicitor General.

MARCH 1951.

☆ U. S. GOVERNMENT PRINTING OFFICE: 1951 934973 630

4

Office-Supreme Court,
FILED
APR 6 1951
CHARLES ELMORE

IN THE

Supreme Court of the United States

OCTOBER TERM, 1950.

No. 561

C. F. WILLIAMS, JR., *Petitioner,*

vs.

HUGHES TOOL COMPANY, *Respondent.*

RESPONDENT'S REPLY TO MEMORANDUM FOR THE UNITED STATES AS AMICUS CURIAE.

GEORGE I. HAIGHT,
209 So. LaSalle St.,
Chicago 4, Illinois,

ROBERT F. CAMPBELL,
Gulf Building,
Houston 2, Texas,
Counsel for Respondent.

The Scheffer Press, Inc.—ANdover 3-6850

INDEX

PAGE

Table of Cases i

Statement 1

The Evidence Abundantly Supports the Concurrent Findings of the District Court and the Court of Appeals on the Factual Issue that Petitioner Rebuilt the Patented Structures 1

The Leasing of an Article, Whether Patented or Unpatented, on Condition that It Be Returned at the End of the Term of the Lease, Is not an Illegal "Restraint" 4

No Question of Contributory Infringement Is Involved 5

TABLE OF CASES.

General Motors v. Preferred Electric & Wire Corp., 79 F. (2d) 621 (C.C.A. 2, 1935) 3

Goodyear Shoe Machinery Co. v. Jackson, 112 Fed. 146 (C.C.A. 1, 1901) 3

International Business Machines Corp. v. United States, 298 U. S. 131 (1936) 4

Mercoid Corporation v. Mid-Continent Investment Co., 320 U. S. 661 (1944) 5

Slocomb v. Layman, 227 Fed. 94, 98 (D. Del. 1915); affirmed 230 Fed. 1021 (C.C.A. 3, 1916) 2

Wilson v. Simpson, 9 How. (50 U.S.) 109 (1850) 2

IN THE

Supreme Court of the United States

OCTOBER TERM, 1950.

No. 561

C. F. WILLIAMS, JR., *Petitioner,*

vs.

HUGHES TOOL COMPANY, *Respondent.*

RESPONDENT'S REPLY TO MEMORANDUM FOR THE UNITED STATES AS AMICUS CURIAE.

STATEMENT.

The case is stated in the Brief of Respondent heretofore filed.

I.

The Evidence Abundantly Supports the Concurrent Findings of the District Court and the Court of Appeals on the Factual Issue that Petitioner Rebuilt the Patented Structures.

The Government Memorandum (page 6) concedes that the issue which it characterizes as a "mixed question of law and fact" is one which would not ordinarily be regarded as a question warranting review by this Court; but it is urged that the Court of Appeals laid down standards which conflict with decisions in other Courts of Appeals. Not only does the opinion of the Court of Appeals show the contrary but the Government's Memorandum frankly admits that the Court of Appeals had recognized the au-

thority of *Wilson* v. *Simpson*, 9 How. (50 U. S.) 109, and the line of cases following it which hold that under certain fact situations the owner of a patented machine may replace parts of that machine without infringing the patent. Consequently no conflict of decision appears and actually the attempt to have this Court review the decision of the Court of Appeals turns upon an analysis of the particular facts in the instant case. There is no dispute as to the principle of the controlling cases, but the dispute between the parties is solely a factual dispute with which this Court is ordinarily not concerned.

The Government Memorandum (page 3) is also predicated upon the erroneous factual assumption that "a few of the worn bits are first examined and tested in Respondent's laboratory". The record shows that every worn bit is examined. This examination is made by one of Respondent's field men, and in many instances there is a further examination by a division or district manager and a division engineer (R. 71, 133). Of the bits so examined, some are further sent to Respondent's laboratory together with information as to their performance and the conditions under which they drilled for thorough study and evaluation by Respondent's Engineering and Research Departments (R. 71, 133).

The Government Memorandum (page 7) suggests a conflict between the decision of the Court of Appeals in this case and *Slocomb* v. *Layman*, 227 Fed. 94, 98 (D. Del. 1915); affirmed 230 Fed. 1021 (C.C.A. 3, 1916). An examination of the facts of that case show that it involved an expensive machine which would last about twenty years. Some of its parts required replacement every few months or every year. The Court decided that the sale of these anticipated repair parts "in the absence of a stipulation to the contrary" constituted permissible repair. In

the instant case the teeth and the cone of the device patented are a solid element, not separate elements, and building the teeth back on the cone in the original interfitting pattern is reconstruction of the solid element and not a repair. The difference in result was due to differences in fact and not to a difference in standards applied.

The Government Memorandum sugggests (pages 7 and 8) that there is a conflict between the decision of the Court of Appeals in this case and the decisions in *Goodyear Shoe Machinery Co.* v. *Jackson,* 112 Fed. 146 (C.C.A. 1, 1901), and *General Motors* v. *Preferred Electric & Wire Corp.,* 79 F. (2d) 621 (C.C.A. 2, 1935). In this instance, also, the difference in result was due to differences in facts and not to any varying application of the well established standards. In the *Goodyear Shoe Machinery case,* the Court held that the purchaser of a sewing machine could properly replace a broken little cam, and one selling replacement cams did not infringe a patent on the sewing machine. In the *General Motors* case, the Court held that the purchaser of an automobile could replace a worn breaker arm in the timer (which was expected to wear out and was made quickly detachable and replaceable), and that one selling replacement breaker arms did not infringe a patent on an ignition system. The seller and the purchaser of either a sewing machine or an automobile anticipate that such replacement may be required if the purchaser is to get the use of what he bought. The facts of such cases are in no sense analogous to the facts of the present case.

II.

The Leasing of an Article, Whether Patented or Unpatented, on Condition that It Be Returned at the End of the Term of the Lease, Is not an Illegal "Restraint".

The Government Memorandum (pages 9-10) suggests that the Respondent's lease contains a tie-in agreement. The reasoning is that the lease forecloses use by the lessee of the materials and services of Petitioner and others similarly engaged. The contrary is true. The lease contains merely the provision that Respondent's property shall be returned to it on expiration of the term. It does not foreclose the use by lessee of bits obtained from other sources nor does it foreclose the use by lessee of the materials and services of Petitioner on bits not of Respondent's manufacture. Such lessee is free to procure bits from other sources and to have such other bits rebuilt by Petitioner or any one else without objection from Respondent.

The Government Memorandum (page 10) states that the effect of Respondent's lease is the same as the leasing of business machines on condition that the lease shall terminate unless cards manufactured by the lessor are used as in *International Business Machines Corp.* v. *United States,* 298 U. S. 131 (1936). The cases are not the same. The various business machines require over three and a half billion cards annually. The expensive machines would be valueless without the cards. The lessor of the machines tied in to its lease of the machine the purchase of the required cards. In the present case, no other commodity, patented or unpatented, is tied in with the lease of Respondent's bits.

III.

No Question of Contributory Infringement Is Involved.

The Government Memorandum (pages 11-14) suggests that the present record raises the question as to whether or not Petitioner is a contributory infringer, and in this connection refers to *Mercoid Corporation* v. *Mid-Continent Investment Co.*, 320 U. S. 661 (1944). In the *Mercoid* cases a patent owner sought to justify the tie-in of unpatented switches to its license of a patented combination of which the switches were a part. The Respondent requires no tie-in and no charge of contributory infringement has been made. The Government Memorandum (Footnote 2, p. 5) points out that the Court of Appeals did not use the term "contributory infringement". The reason for this is that contributory infringement is not involved. The Petitioner is a direct infringer because he takes metal, not embodying the patented combination, and from it rebuilds the patented combination and thereby makes the invention. The concurrent findings of the courts below as to this factual question are contrary to the assumption of the Government Memorandum (see Brief of Respondent in Opposition to Petitioner's Application for Writ of Certiorari, pp. 8-9).

For the reasons stated, the decision of the Court of Appeals and of the Trial Court are not in conflict with any decisions of this Court or of Courts in other circuits. The legal principles involved have been settled by numerous decisions of this Court, and were recognized and applied by the Courts below. Concurrent fact findings of those Courts do not require further review.

Respectfully submitted,

GEORGE I. HAIGHT,
ROBERT F. CAMPBELL,
Attorneys for Respondent.